

**SWARTZ CREEK AREA FIRE BOARD**

**SWARTZ CREEK, MICHIGAN**

REPORT FOR THE YEAR ENDED DECEMBER 31, 2006

## Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Unit Name <b>SWARTZ CREEK AREA FIRE BOARD</b>	County <b>GENESEE</b>
Fiscal Year End <b>12/31/06</b>	Opinion Date <b>02/23/07</b>	Date Audit Report Submitted to State <b>09/13/07</b>	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).


YES NO

**Check each applicable box below.** (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☒ ☐ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

<b>We have enclosed the following:</b>	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>		
Other (Describe)	<input type="checkbox"/>		
Certified Public Accountant (Firm Name) <b>ROY, NOYE &amp; ASSOCIATES, CPA, PC</b>		Telephone Number <b>810-720-4700</b>	
Street Address <b>2503 S LINDEN RD STE 120</b>		City <b>FLINT</b>	State <b>MI</b>
Zip <b>48532</b>			
Authorizing CPA Signature 		Printed Name <b>ROBERT C. NOYE II</b>	License Number <b>1101026473</b>

## TABLE OF CONTENTS

	<u>Page</u>
Report of Independent Auditors	I
Management Discussion and Analysis	II-III
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Assets	1
Statement of Activities	2
Fund Financial Statements:	
Balance Sheet – Governmental Funds	3
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	4
Notes to the Financial Statements	5-8
Required Supplementary Information	
Budgetary Comparison Schedules:	
Operation & Maintenance Fund	9
Other Supplemental Schedules:	
Schedule of Expenditures – Operation & Maintenance Fund	10

# ROY, NOYE <sup>AND</sup> ASSOCIATES, CPA, P.C.

2503 S. LINDEN RD., SUITE 120 • FLINT, MI 48532 • P. 810.720.4700 • F. 810.720.4701

## Independent Auditors' Report

Board of Directors  
Swartz Creek Area Fire Board

We have audited the accompanying financial statements of the governmental activities of Swartz Creek Area Fire Board, as of and for the year ended December 31, 2006. These financial statements are the responsibility of the Board's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Governmental Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities of Swartz Creek Area Fire Board as of December 31, 2006, and the respective changes in financial position, thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated February 23, 2007, on our consideration of the Swartz Creek Area Fire Board's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in conjunction with this report in considering the results of our audit. The purpose of that report is to describe the scope of our testing and not provide an opinion on the internal control over financial reporting or on compliance.

The management's discussion and analysis and budgetary comparison information on pages II-III and 9 are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquires of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Swartz Creek Area Fire Board's basic financial statements. The accompanying other supplementary information, as identified, in the table of contents is presented for purpose of additional analysis and is not a required part of the basic financial statements. The other supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



CERTIFIED PUBLIC ACCOUNTANTS

February 23, 2007



**Swartz Creek Area Fire Board**  
**Management Discussion and Analysis**  
**For the Years Ended December 31, 2006 and 2005**

---

As management of the Swartz Creek Area Fire Board, we offer readers of the Swartz Creek Area Fire Board's financial statements this narrative overview and analysis of the financial activities of the Swartz Creek Area Fire Board for the years ended December 31, 2006 and 2005.

**Overview of the Financial Statements**

This discussion and analysis are intended to serve as an introduction to the Swartz Creek Area Fire Board's basic financial statements. The Board's basic financial statements are comprised of the statement of net assets, statement of activities, governmental funds balance sheet & statement of revenues, expenditures, and changes in fund balance and notes to the financial statements. This report also contains other supplementary and additional information in addition to the basic financial statements themselves.

The statement of net assets presents information on all of the Board's assets and liabilities, with the difference between the two reported as net assets.

The statement of activities presents information showing how the government's net assets changed during the most recent calendar year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenditures are reported in this statement for some items that will only result in cash flows in future periods.

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the governmental fund financial statements.

**Financial Highlights**

The government-wide financial analysis focuses on the Statement of Net Assets and the Statement of Activities. The total assets of the Board are \$ 152,488 of which \$ 16,310 represents cash and cash equivalents. The liabilities are \$ 21,498, which represents amounts due to vendors, leaving current net assets of \$ 130,990.

Net assets decreased \$ 37,956 for the Board as a result of \$ 315,698 in the fire protection expenses, which are offset by general revenues of \$ 287,859. The Board also reimbursed the Municipalities for prior year's surplus. This figure was \$ 9,026.

Net assets invested in capital assets amount to \$ 122,006 leaving restricted net assets of \$ 8,984, which represents the excess of current year revenues over expenditures. This excess is to be reimbursed to the City of Swartz Creek and Clayton Township.

Capital assets include total assets of \$ 1,330,993. These assets are depreciated over various lives based on the type of asset. Accumulated depreciation to date is \$ 1,208,987. Should the Board ever disband, the capital assets are to be allocated based on contributions made by each participating unit for specific years.

**Swartz Creek Area Fire Board**  
**Management's Discussion and Analysis**  
**For the Years Ended December 31, 2006 and 2005**

---

**Contacting the Board's Financial Management**

This financial report is designed to provide our citizens and taxpayers with a general overview of the Board's finances. If you have questions about this report or need additional information, contact the Business Office, Swartz Creek Area Fire Board.

Swartz Creek Area Fire Board  
Statement of Net Assets  
December 31, 2006 and 2005

---

		Governmental Activities	
		2006	2005
<u>CURRENT ASSETS</u>	<u>Assets</u>		
Cash and Cash Equivalents		\$ 16,310	\$ 15,490
Due From Other Governmental Units		9,958	9,848
Prepaid Insurance		4,214	3,908
Total Current Assets		\$ 30,482	\$ 29,246
<u>NON-CURRENT ASSETS</u>			
Capital Assets		1,330,993	1,320,335
Less: Accumulated Depreciation		(1,208,987)	(1,161,506)
Total Noncurrent Assets		\$ 122,006	\$ 158,829
<u>TOTAL ASSETS</u>		\$ 152,488	\$ 188,075
	<u>LIABILITIES</u>		
<u>CURRENT LIABILITIES</u>			
Accounts Payable		18,372	15,768
Payroll Liabilities		3,126	3,361
<u>TOTAL LIABILITIES</u>		\$ 21,498	\$ 19,129
	<u>NET ASSETS</u>		
<u>NET ASSETS</u>			
Invested in Capital Assets		122,006	158,829
Restricted for Subsequent Expenditures		8,984	9,026
Unrestricted			1,091
<u>TOTAL NET ASSETS</u>		\$ 130,990	\$ 168,946

See Accompanying Notes to Financial Statements

Swartz Creek Area Fire Board  
Statement of Activities  
December 31, 2006 and 2005

FUNCTIONS/PROGRAMS	Expenses	Program Revenues		Net (Expense) Revenue & Change in Net Assets	
		Charges For Services	Operating Grants and Contributions	2006	2005
Governmental Activities:					
Public Safety	\$ 315,698	\$ -	\$ -	\$ (315,698)	\$ (302,946)
General Revenues:					
Property Taxes				285,078	293,666
Investment Earnings				2,184	1,449
Miscellaneous				22	24
Sale of Fixed Assets				575	1,999
Total General Revenues and Transfers				<u>\$ 287,859</u>	<u>\$ 297,138</u>
Reimbursements to Municipalities for prior year's surplus				<u>\$ (9,026)</u>	<u>\$ (14,255)</u>
Reclassification of prior year unrestricted net asset				<u>\$ (1,091)</u>	<u>-</u>
Change in Net Assets				<u>\$ (37,956)</u>	<u>\$ (20,063)</u>
Net Assets - Beginning - As Restated				<u>168,946</u>	<u>189,009</u>
Net Assets - Ending				<u><u>\$ 130,990</u></u>	<u><u>\$ 168,946</u></u>

See Accompanying Notes to Financial Statements



Swartz Creek Area Fire Board  
Balance Sheet  
Governmental Funds  
December 31, 2006

	Operation & Maintenance Fund	Total Governmental Funds
<b><u>ASSETS</u></b>		
Cash and Cash Equivalents	\$ 16,310	\$ 16,310
Due from Other Governmental Units		
Clayton Township	6,300	6,300
Swartz Creek	3,658	3,658
Prepaid Insurance	4,214	4,214
 <b><u>TOTAL ASSETS</u></b>	 <b><u>\$ 30,482</u></b>	 <b><u>\$ 30,482</u></b>
 <b><u>LIABILITIES</u></b>		
Accounts Payable	\$ 18,372	\$ 18,372
Payroll Liabilities	3,126	3,126
Total Liabilities	\$ 21,498	\$ 21,498
 <b><u>FUND BALANCES</u></b>		
Restricted for Subsequent Expenditures	8,984	8,984
Unreserved	-	-
Total Fund Balances	\$ 8,984	\$ 8,984
 <b><u>TOTAL LIABILITIES AND FUND BALANCES</u></b>	 <b><u>\$ 30,482</u></b>	 <b><u>\$ 30,482</u></b>

See Accompanying Notes to Financial Statements

**Swartz Creek Area Fire Board**  
**Reconciliation of Total Governmental Fund Balances To**  
**Net Assets of Governmental Activities**  
**December 31, 2006**

---

Total Governmental Fund Balances: \$ 8,984

Amounts reported for governmental activities in the statement of  
net assets are different because:

Capital assets used in governmental activities are not financial  
resources and therefore are not reported as assets in governmental  
funds. The cost of the assets is \$ 1,330,993 and the  
accumulated depreciation is \$ 1,208,987.

122,006

**TOTAL NET ASSETS -**  
**GOVERNMENTAL ACTIVITIES**

**\$ 130,990**

Swartz Creek Area Fire Board  
Statement of Revenues, Expenditures, and Changes in Fund Balances  
Governmental Funds  
For the Year Ended December 31, 2006

	Operation & Maintenance Fund	Total Governmental Funds
<u>REVENUES</u>		
Contributions From Local Units	\$ 285,078	\$ 285,078
Earnings on Investments and Deposits	2,184	2,184
Proceeds from Sale of Fixed Assets	575	575
Other Income	22	22
Total Revenues	<u>\$ 287,859</u>	<u>\$ 287,859</u>
<u>EXPENDITURES</u>		
Operation and Maintenance	233,574	233,574
Vehicle Maintenance	18,262	18,262
Capital Outlay	27,039	27,039
Total Expenditures	<u>\$ 278,875</u>	<u>\$ 278,875</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>\$ 8,984</u>	<u>\$ 8,984</u>
<u>FUND BALANCE - BEGINNING</u>	<u>\$ 10,117</u>	<u>\$ 10,117</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	8,984	8,984
Reimbursements to Municipalities for prior year's surplus	(9,026)	(9,026)
Reclassification of prior year unrestricted net asset	(1,091)	(1,091)
<u>FUND BALANCE - ENDING</u>	<u>\$ 8,984</u>	<u>\$ 8,984</u>

See Accompanying Notes to Financial Statements

Swartz Creek Area Fire Board  
Reconciliation of The Statement of Revenues, Expenditures  
and Changes in Fund Balances of Governmental Funds  
To The Statement of Activities  
For the Year Ended December 31, 2006

---

Total net change in fund balances - governmental funds	\$ (42)
--	---------

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation expense exceeded capital outlay in the current period.

(36,823)
----------

CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES

<u>\$ (36,865)</u>
--------------------

**Swartz Creek Area Fire Board**  
**Notes to Financial Statements**  
**For the Year Ended December 31, 2006**

---

1) DESCRIPTION OF FIRE AUTHORITY OPERATIONS

The Swartz Creek Area Fire Board has been organized as a joint venture of the City of Swartz Creek and the Township of Clayton in Genesee County, Michigan. The organizational agreement provides for a joint exercise of power and the establishment of a separate administrative entity. Members of the Fire Board are appointed by the City and Township. The participating governmental units provide revenue to the department on the basis of fire runs.

The City of Swartz Creek and Township of Clayton each have an undivided one-half interest in the assets of the Fire Board. The City and Township have also provided the Fire Board with the use of several vehicles. Title to these vehicles remains with the contributing unit of government.

2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Swartz Creek Fire Board conform to generally accepted accounting principles as applicable to governmental entities. The following is a summary of the significant accounting policies:

In June 1999 the Governmental Accounting Standards Board (GASB) issued Statement No. 34, Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments. Some of the significant changes in the Statement include the following:

A Management Discussion and Analysis (MD&A) section to provide an analysis of the Board’s overall financial position and results of operations.

Financial statements prepared with full accrual accounting for all of the Board’s activities.

- A change in the fund financial statements to focus on the major funds.

These and other changes are reflected in the accompanying financial statements and notes to the financial statements.

A) BASIC FINANCIAL STATEMENTS – GOVERNMENT – WIDE STATEMENTS

The Board’s basic financial statements include both government-wide (reporting the Board as a whole) and fund financial statements (reporting the Board’s major funds). The government-wide financial statements categorize primary activities as either governmental or business type. All of the Board’s activities are classified as governmental activities.

In the government-wide Statement of Net Assets, the governmental activities column is presented on a consolidated basis and is reported on a full-accrual economic resource basis, which recognizes all long-term assets and receivables. The Board’s net assets are reported in three parts: invested in capital assets; restricted net assets; and unrestricted net assets.

The government-wide Statement of Activities reports both the gross and net cost of each of the Board’s functions. General government revenues also support the functions. The Statement of Activities reduces gross expenses by related program revenues, operating and capital grants. Program revenues must be directly associated with the functions. Operating grants include operating-specific and discretionary grants. The net costs by function are normally covered by general revenue (property taxes, state and federal sources, interest income, etc.)

**Swartz Creek Area Fire Board**  
**Notes to Financial Statements**  
**For the Year Ended December 31, 2006**

---

2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B) BASIC FINANCIAL STATEMENTS – FUND FINANCIAL STATEMENTS

The accounts of the Board are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund balance, revenues, and expenditures. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

GOVERNMENTAL FUNDS

General Fund – Operation & Maintenance Fund

The General Fund is the general operating fund of the Board. It is used to account for all financial resources except those required to be accounted for in another fund.

C) BASIS OF ACCOUNTING/MEASUREMENT FOCUS

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in current assets. Accordingly, they are said to present a summary of sources and uses of “available spendable resources” during a period.

ACCRUAL

Governmental activity in the government-wide financial statements is presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred.

MODIFIED ACCRUAL

The governmental funds financial statements are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available. “Available” means collectible within 60 days of year-end. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred.

Those revenues susceptible to accrual are property taxes, interest revenue, grants and charges for services. Other revenue is recorded when received.

D) CASH AND CASH EQUIVALENTS

The Board considers highly liquid investments with an original maturity of three months or less when purchased to be cash equivalents.

Investments are reported at fair value, which is determined using selected bases. Short-term investments are reported at cost, which approximates fair value. Securities traded on a national exchange are valued at the last reported sales price and investments that do not have an established market are reported at estimated fair value. Cash deposits are reported at carrying amount, which reasonably estimates fair value.

**Swartz Creek Area Fire Board**  
**Notes to Financial Statements**  
**For the Year Ended December 31, 2006**

---

2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E) CAPITAL ASSETS

General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net assets but are not reported in the fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year.

All reported capital assets are depreciated. Depreciation is computed using the straight-line method over the following useful lives:

<u>Description</u>	<u>Governmental Activities</u> <u>Estimated Lives</u>
Equipment	5 – 10 years

F) NET ASSETS

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, consists of capital assets, net of accumulated depreciation. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the Board or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

G) ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

3) DEPOSITS AND INVESTMENTS

Deposits are carried at cost. Deposits of the Fire Board are at one bank in the name of Swartz Creek Area Fire Department. Michigan Compiled Laws (MCL), Section 129.91, authorized a local unit to deposit and invest in the accounts of Federally insured banks, credit unions and savings and loan associations; bond securities, and other obligations of the United States, or an agency or instrumentality of the United States in which the principal and interest is fully guaranteed by the United States, including securities issued or guaranteed by the Government National Mortgage Association; United States government or Federal agency obligation repurchase agreement; bankers' acceptance of United States banks; mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan; and commercial paper rated by two standard rating agencies within the three highest classifications, which matures not more than 270 days after the date of purchase, and which involves no more than 50 percent of any one fund. Michigan law prohibits security in the form of collateral, surety bonds, or other forms for the deposit of public money. Attorney General's Opinion No. 6168 states that public funds may not be deposited in financial institutions located in states other than Michigan.

At December 31, 2006, the carrying amount of the Board's deposits was \$ 16,310 and the bank balance was \$ 22,711, all of which was covered by federal depository insurance.

**Swartz Creek Area Fire Board**  
**Notes to Financial Statements**  
**For the Year Ended December 31, 2006**

---

4) DUE FROM OTHER UNITS OF GOVERNMENT

As of December 31, 2006, the Fire Board had amounts due from other units of government as follows:

Clayton Township	\$ 6,300
City of Swartz Creek	<u>3,658</u>
	<u>\$ 9,958</u>

5) CAPITAL ASSETS

Capital asset activity for the fiscal year ended December 31, 2006, was as follows:

	Balance January 1, 2006	Additions	Deletions	Balance December 31, 2006
Machinery and Equipment	\$ 485,416	\$ 18,393	\$ (8,365)	\$ 495,444
Vehicles	759,959			759,959
Office equipment	41,878	630		42,508
800 MHZ equipment	33,082			33,082
Less: Accumulated Depreciation	<u>(1,161,506)</u>	<u>(55,846)</u>	<u>8,365</u>	<u>(1,208,987)</u>
	<u>\$ 158,829</u>	<u>\$ (36,823)</u>	<u>\$ -</u>	<u>\$ 122,006</u>

Depreciation expense was charged to functions/programs of the primary government as follows:

Public Safety \$ 55,847

6) CONTINGENCIES

In the ordinary course of business, the Board is involved in various pending or threatened legal actions. The Board believes that any ultimate liability arising from these actions will not have a material adverse effect on its financial position.



REQUIRED  
SUPPLEMENTARY  
INFORMATION

Swartz Creek Area Fire Board  
Statement of Revenues, Expenditures and Changes  
in Fund Balance - Budget and Actual  
Operation & Maintenance Fund  
For the Year Ended December 31, 2006

---

	Budgeted Amounts			Variance With
	Original	Final	Actual	Final Budget
<u>REVENUES</u>	\$ 282,472	\$ 282,472	\$ 287,859	\$ 5,387
<u>EXPENDITURES</u>				
Operation and Maintenance	282,472	282,472	278,875	3,597
Excess of Revenues Over Expenditures	\$ -	\$ -	\$ 8,984	\$ 8,984
 <u>FUND BALANCE - BEGINNING</u>			10,117	
Excess of Revenues over Expenditures			8,984	
Reimbursements to Municipalities for for prior year's surplus			(9,026)	
Reclassification of prior year unrestricted net asset			(1,091)	
 <u>FUND BALANCE - ENDING</u>			<u>\$ 8,984</u>	

OTHER SUPPLEMENTAL  
INFORMATION

Swartz Creek Area Fire Board  
Operation & Maintenance Fund  
Schedule of Expenditures  
For the Year Ended December 31, 2006

---

**EXPENDITURES**

**Operation & Maintenance**

Salaries - staff	\$ 53,482
Salaries - officers	14,520
Salaries - firefighters	72,725
Deferred compensation	3,060
Payroll taxes	11,407
Medical expense	5,637
Office supplies	1,633
Building supplies	900
Communications and alarms	3,490
Equipment supplies	8,502
Contract services	6,628
Insurance	28,422
Utilities	13,207
Equipment maintenance	18,262
Equipment	27,039
Education and training	9,961

**TOTAL EXPENDITURES**

**\$ 278,875**

# ROY, NOYE AND ASSOCIATES, CPA, P.C.

2503 S. LINDEN RD., SUITE 120 • FLINT, MI 48532 • P. 810.720.4700 • F. 810.720.4701

## REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Board of Directors  
Swartz Creek Area Fire Board

We have audited the financial statements of the governmental activities and each major fund, of Swartz Creek Area Fire Board, as of and for the year ended December 31, 2006, which collectively comprise the Board's basic financial statements and have issued our report thereon dated February 23, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

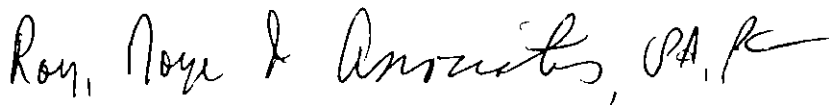
### Internal Control Over Financial Reporting

In planning and performing our audit, we considered Swartz Creek Area Fire Board's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

### Compliance and Other Matters

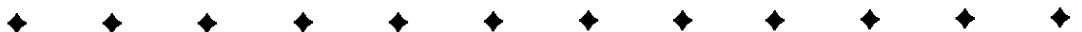
As part of obtaining reasonable assurance about whether Swartz Creek Area Fire Board's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the audit committee, management, City Council, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



CERTIFIED PUBLIC ACCOUNTANTS

February 23, 2007





# Swartz Creek Area Fire Department

Serving Clayton Twp. and Swartz Creek Since 1925  
8100 B Civic Dr., Swartz Creek MI 48473-1376 • phone: 810-635-2300 • fax: 810-635-7461

February 23, 2007

Roy, Noye & Associates, CPA, PC  
2503 S. Linden Rd. Ste 120  
Flint, MI 48532

We are providing this letter in connection with your audit of the financial statements of Swartz Creek Area Fire Board for the years ended December 31, 2006 and 2005, for the purpose of expressing an opinion as to whether the financial statements present fairly, in all material respects, the financial position and results of operations of Swartz Creek Area Fire Board in conformity with U.S. generally accepted accounting principles. We confirm that we are responsible for the fair presentation in the financial statements of financial position and results of operations in conformity with generally accepted accounting principles. We are also responsible for adopting sound accounting policies, establishing and maintaining internal control and preventing and detecting fraud.

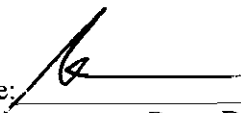
We confirm, to the best of our knowledge and belief, as of February 23, 2007, the following representations made to you during the audit.

1. The financial statements referred to above are fairly presented in conformity with U.S. generally accepted accounting principles.
2. We have made available to you all:
  - a. Financial records and related data
  - b. Minutes of the meetings of stockholders, directors and committees of directors, or summaries of actions of recent meetings for which minutes have not yet been prepared.
3. There have been no communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices.
4. There are no material transactions that have not been properly recorded in the accounting records underlying the financial statements.
5. We believe the effects of any uncorrected financial statement misstatements are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.
6. We acknowledge our responsibility for the design and implementation of programs and controls to prevent and detect fraud.

7. We have no knowledge of any fraud or suspected fraud affecting the company involving:
  - a. Management,
  - b. Employees who have significant roles in internal control, or
  - c. Others where the fraud could have a material effect on the financial statements.
8. We have no knowledge of any allegations of fraud or suspected fraud affecting the company received in communications from employees, former employees, regulators, or others.
9. The company has no plan or intentions that may materially affect the carrying value of classifications of assets and liabilities.
10. The following have been properly recorded or disclosed in the financial statements:
  - a. Related party transactions and related accounts receivable or payable, including sales, purchases, loans, transfers, leasing arrangements and guarantees.
  - b. Guarantees, whether written or oral, under which the company is contingently liable.
11. There are no estimates that may be subject to a material change in the near term that have not been properly disclosed in the financial statements. We understand that *near term* means the period within one year of the date of the financial statements. In addition, we have no knowledge of concentrations existing at the date of the financial statements that make the company vulnerable to the risk of severe impact that have not been properly disclosed in the financial statements.
12. There are no:
  - a. Violations or possible violations of laws or regulations whose effect should be considered for disclosure in the financial statements or as a basis for recording a loss contingency.
  - b. Unasserted claims or assessments that our lawyer has advised us are probable of assertion and must be disclosed in accordance with Statement of Financial Accounting Standards No. 5.
  - c. Other liabilities or gain or loss contingencies that are required to be accrued or disclosed by Statement of Financial Accounting Standards No. 5.
13. The company has satisfactory title to all owned assets and there are no liens or encumbrances on such assets nor has any asset been pledged.

14. We have complied with all aspects of contractual agreements that would have material effect on the financial statements in the event of noncompliance.

No events have occurred subsequent to the balance sheet date and through the date of this letter that would require adjustment to, or disclosure in, the financial statements.

Signature:   
Brent D. Cole

Title:   
Fire Chief